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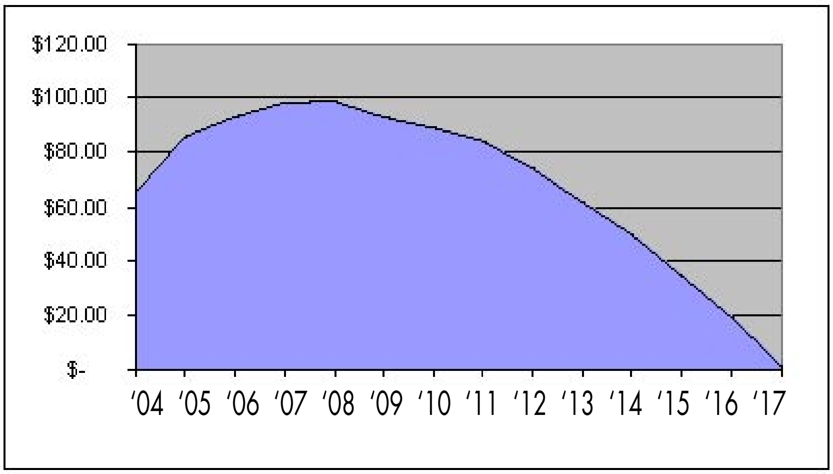
# Important Dates to Remember in the Debate over Social Security Reform

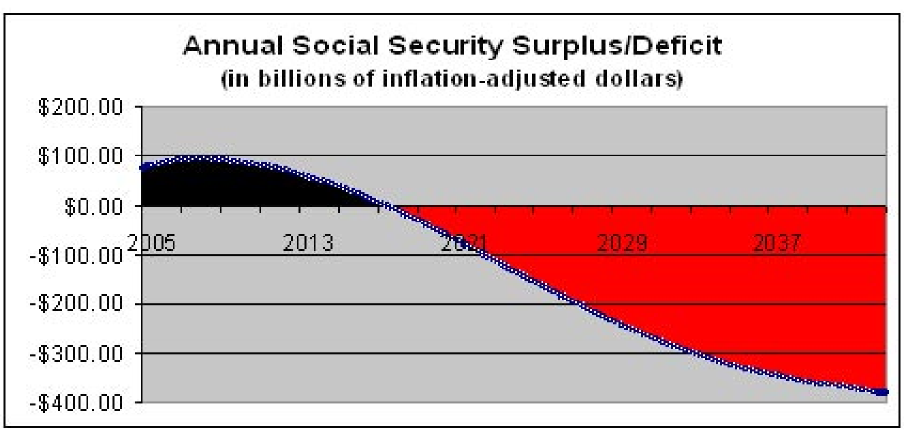
**2008-** This marks the first year that the oldest members of the Baby Boom generation become eligible to collect Social Security benefits. As a result, 2008 will mark the beginning of a dramatic acceleration in the program's cost. Each year thereafter, the number of beneficiaries and amount of benefits paid out will grow rapidly, increasing the pressure on the overall budget.

Social Security Surplus Peaks in 2008




In 2004, the on-budget federal deficit was $567 billion, but thanks to the existence of surpluses in other government accounts, the Federal Government as a whole ran a deficit of $412 billion. The Social Security surplus ($69 billion) was by far the largest contributor to that difference. As the Social Security surplus begins to diminish after 2008, overall federal budget deficits will increase by a corresponding amount, all else being equal, as fewer surplus funds are available to cover unrelated government spending.

**2018-** This marks the first year that the Social Security system will run a deficit. From this date forward, Social Security will be a net drain on the General Fund of the Treasury and require an ever-increasing infusion of non-Payroll tax revenue.



At first, these deficits will be relatively small ($16 billion in 2018), but will grow each and every year and eclipse $200 billion in 2027, and rise above $300 billion in 2033. To pay benefits, Congress will have to raise taxes, cut other spending, or increase federal borrowing by $5.8 trillion (in constant 2004 dollars) between 2018 and 2042 to fill the hole created by Social Security deficits.

It is important to note that this temporary injection of general revenue will do nothing to sustain the system's solvency, nor will it be used to finance the transition to a permanently solvent system. Instead, it will simply drain $5.8 trillion from the Treasury to briefly postpone the benefit cuts that will inevitably come absent reform.

**2042-** Social Security Administration actuaries estimate that by 2042, Social Security will no longer have the statutory authority to pay 100 percent of benefits. This is because the Social Security "Trust Fund" – a government account that contains no real assets, but tracks the amount of general revenues that Social Security can claim – will be bankrupt. As a result, benefits will be cut across-the-board by 25 percent. With total benefits tied to total payroll tax revenue from that date forward, the magnitude of the benefit cuts will increase each year, rising to over 30 percent by 2080.

| Year | Benefit Cut |
|---|---|
| 2042 | -25.4% |
| 2052 | -26.0% |
| 2062 | -27.9% |
| 2072 | -29.7% |
| 2080 | -30.9% |

According to the Social Security Administration, if the mandated benefit reduction is distributed proportionally among retirees, today's 40-year-olds will face benefit cuts of about 10 percent; today's 32-year-olds will face benefit cuts of about 25 percent; and today's youngest workers can expect benefit cuts of 30 percent. This will result in a doubling of the poverty rate among Social Security beneficiaries, forcing 875,000 seniors between the ages of 64 and 78 into poverty.

*Source: Republican Policy Committee*